Stop&Shop Annual Report 1968

Stop & Shop Inc.

Annual Report for the Fiscal Year Ended February 1, 1969

Contents

Comparative Highlights

	53 Weeks Ended February 1, 1969	52 Weeks Ended January 27, 1968
Sales	$654,822,234	$566,361,363
Earnings:		
Pretax operating earnings	11,810,965	9,644,775
Net operating earnings	6,735,813	6,112,722
Extraordinary item, net of applicable income taxes	—	1,773,243
Total net earnings	6,735,813	7,885,965
Reinvested in the business	4,001,349	5,390,852
% of net operating earnings to sales	1.03%	1.08%
Per share of common stock based on average number of shares outstanding during the year:		
Net operating earnings	2.22	2.02
Extraordinary item	—	.59
Total net earnings	2.22	2.61
Cash dividends paid	2,734,464	2,495,113
Cash dividends per share of common stock	.90	.82½
Current assets	67,700,152	52,830,423
Current liabilities	35,224,372	28,114,268
Working capital	32,475,780	24,716,155
Current ratio	1.92	1.88
Shareholders' equity	53,040,214	48,658,948
Food stores opened	9	8
Food stores closed	5	9
Food stores in operation at year end	138	134
Self-service department stores opened	6	7
Self-service department stores in operation at year end	52	46
Drug stores opened and in operation at year end	3	—

To Our Shareholders:

Operating results for the 53-week fiscal year ended February 1, 1969 reflect the company's continued strength. Sales increased 15.6%, from $566-million (52 weeks) to $655-million, the highest in our history. Pretax profits of $11.8-million were up 22.5% over 1967 results of $9.6-million. This, too, was a record for us. Despite increased federal taxes, net operating profit rose 10.2% to $6.7-million, also the highest we have recorded to date.

	1968	1967
Net sales, Stop & Shop	$515,575,586	$459,726,850
Net sales, Bradlees (excluding sales of leased departments)	139,246,648	106,634,783
Total:	$654,822,234	$566,361,633

Pretax profits were 1.8% of sales, up from 1967's 1.7%. After federal surtax (17¢ per share), 1968 earnings per common share rose to $2.22 from $2.02 in 1967.

Our balance sheet was also strong, as working capital rose from $24.7-million at 1967 year end to $32.5-million. Our ratio of current assets to current liabilities was 1.92. Both figures surpass all previous results. Shareholder equity increased to $53-million or $17.40 per common share. After taxes but before special items, return on shareholder investment increased to 12.7%.

These results were achieved in the face of strong competitive conditions in our major market areas; at the same time the company was making major investments in new and remodelled food and self-service department stores, new distribution systems, and greatly expanded management and employee training programs.

Drug Store Operations

Implementing a major management decision, the company has opened the first four of a planned new series of Medi Mart drug stores. These new, large units follow the visually exciting "shops within a store" design of our newer food and department stores, and are our means of entry into a $12-billion national market, in which sales of drug store chains are growing at about twice the rate of retailing in general.

This new operation is under the management of H. Sumner Hatch, who has had long-term senior management experience in the general merchandise and drug retail field.

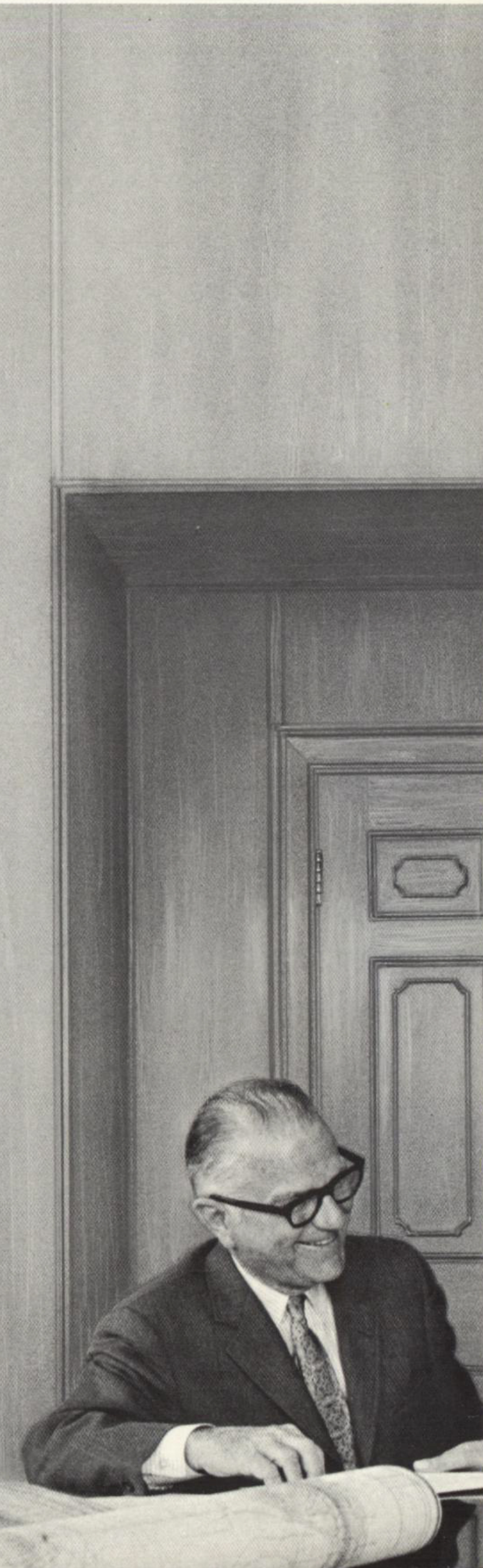
We presently plan to add several new Medi Marts during 1969, and expect this activity to grow rapidly during the next few years.

Food Store Operations

The striking changes in food store layout and decor continue to dominate this activity.

The "avenue of shops" in Stop & Shop food stores includes such innovations as Deli Huts, Snack Shacks, Farmers Markets, and many other freshly designed store areas, which combine to provide a lively and contemporary shopping environment.

Throughout our food store operations, we continued to prune out our smaller stores, replacing them with entirely new units, and made major alterations to our older stores. Per-store area of these expanded units has grown steadily to the point where our new stores average 19,500 square feet of productive selling space. Sales per store have also grown to an average of more than $3.7-million annually. (This compares with an industry average of $1.5-million.)



Sidney R. Rabb	**Chairman of the Board and Chief Executive Officer**
Irving W. Rabb	**Vice Chairman of the Board and Chairman, Executive Committee**
Donald A. Gannon	**President**

During the past four years, fifty food stores have had major remodellings. Eleven of these were done during 1968, and eleven more are planned for 1969. Nine new stores were also opened in 1968, and ten are planned for this year. In the 28 months ended in December 1968, twenty-one smaller stores were closed since they did not fit our changing needs.

To support our geographic expansion, plans were announced in May 1968 to construct a 340,000-square foot grocery distribution center in North Haven, Connecticut, adjacent to our existing perishable goods warehouse. The new grocery center, when completed later in 1969, will serve our stores in New York, New Jersey, Connecticut, and Western Massachusetts.

In another move to improve distribution methods, the company contracted with the city of Marlborough, Massachusetts for the lease of a 165,000 square foot central meat processing and distribution plant to be constructed by the city from the proceeds of an issue of $10-million revenue industrial bonds. Construction is due to begin shortly. The site is served by an excellent network of highways and will provide more efficient meat distribution to our entire chain of food stores.

Department Store Operations

Similar trends are occurring in our Bradlees group of self-service department stores, where the shopping environment is changing rapidly. Stores are becoming larger, more interesting, and more efficient.

In 1962, when Bradlees was acquired, total average store area was 60,000 square feet. Today's average selling area is close to 70,000 square feet;

remodellings add between 15,000 and 30,000 square feet of sales area per store.

Sales through "owned" rather than leased departments are also the trend, as the 25% of owned sales in 1962 has grown to an average of 85%, with 90% more common in new stores.

In 1968 we opened six new stores, closed none, and remodelled one.

This year our plans include two new Bradlees stores and the remodelling and expansion of five existing units.

New Management and Personnel

As the company grows, its need for management keeps pace.

In May 1968, Avram J. Goldberg was elected executive vice president of Stop & Shop Inc. Mr. Goldberg graduated from Boston Latin School, Harvard College (magna cum laude) and Harvard Law School (cum laude). He first worked for the company more than 20 years ago as a part-time grocery clerk during summer vacations. He joined Stop & Shop full time in 1958, and has worked in field, staff, and management positions. He has most recently been corporate vice president in charge of the food division.

In related moves, Robert H. Kroeger, was placed in charge of the food division, and divisional vice president Donald W. Stowbridge was put in charge of the Connecticut food division.

In June 1968, Frank Crowley, director of real estate, Anthony Di Nardo, director of personnel, and Joseph L. Riemer, Jr., director of technical services, were appointed divisional vice presidents.

Frank X. Suter, Jr., joined the company in October 1968 as corporate controller. He had been assistant treasurer of Columbia Broadcasting

Avram J. Goldberg	Executive Vice President
Albert S. Frager	Treasurer
Paul C. Kelly	Assistant to the President
Anthony DiNardo	Director of Personnel

System, Inc., and is a member of the New York State Society of Certified Public Accountants.

In January 1969, Jack Solomon, formerly president of the Bradlees division, joined the corporate development group headed by vice chairman, Irving W. Rabb. Mr. Solomon was succeeded by Robert J. Futoran who joined the company as Bradlees division president.

Mr. Futoran had previously spent more than twenty years in management positions in marketing, merchandising and store operations. Most recently he was president of Frederick Atkins, Inc., cooperatively owned merchandising and research organization based in New York.

Corporate Planning

It is a corporate commitment at Stop & Shop to stay on the leading edge of change . . . to manage, rather than be managed by, the sweep of the retailing cycle. This commitment requires both planning and perspective.

Supporting the company's plans for personnel development are Stop & Shop's more than thirty different management and employee training programs. These are continuing efforts, ranging from an unusual 39-week Advanced Management Development Program (AMDP) to in-store courses on the specialized skills needed in day-to-day operations. On a less structured, but scheduled, basis, selected field employees are rotated through jobs at corporate headquarters to improve their understanding of corporate operations. This makes them far more effective and better equipped to handle future field or corporate assignments.

A new and unusual training program was begun in July 1968, when the company was granted a contract by the U. S. Government under the Department of Labor MA-3 program. This two-year contract, the largest of its type in the Greater Boston area, calls for recruiting and training the hard-core unemployed. This is an exciting and challenging effort. Special sensitivity orientation sessions were held for our supervisory and line employees. A "buddy system" was then established in which each new recruit is teamed with a regular employee who helps him learn and adjust to his new job. Under MA-3, Stop & Shop is providing 87 job opportunities in offices, stores, manufacturing and warehousing.

This program is one of several under way at the company which not only serve a social purpose but also continue to develop manpower sources to fill our future needs.

Employee benefits were improved in 1968 with the introduction of the Company's Salaried Employees' Savings and Profit Sharing Plan, and with liberalization of the now non-contributory pension plan.

The following sections of this report introduce not only the facts but also the feel of the lively new shopping climate in our retail stores, as we seek to create surroundings that match the youthful, spirited world around us.

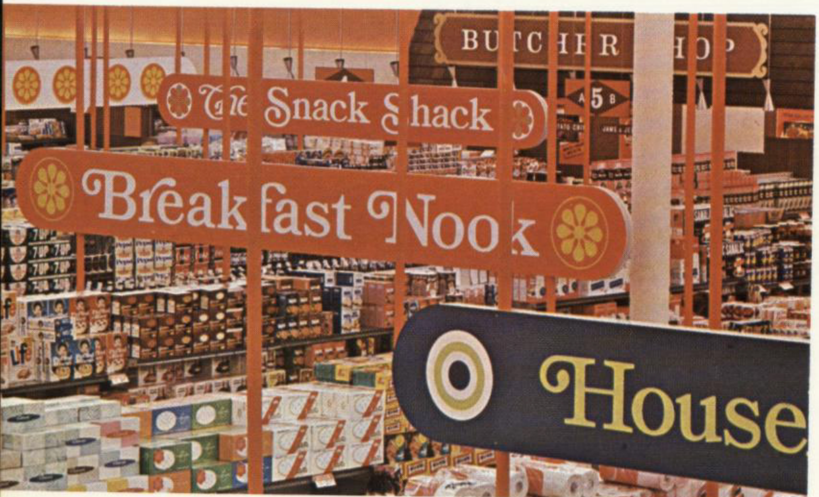
Sidney R. Rabb

Sidney R. Rabb, Chairman

Donald A. Gannon

Donald A. Gannon, President


Regular Grind
Stop & Shop
COFFEE
NET WT. 16 OZ. (1 POUND)


BUTCHER SHOP
The Snack Shack
Breakfast Nook
House


MAXI-M
MEA


Flower Pot


Please
press
button
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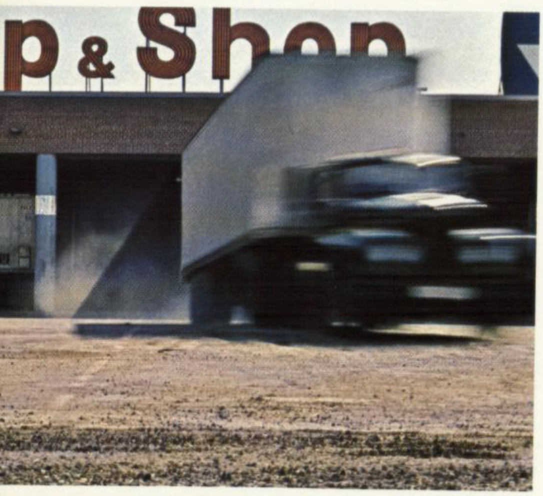
service


p & Shop

Gone is the Produce Department. Instead: Farmer's Market... Banana Hut... Potato Barn... Salad Bowl... they say it better. Merchandising with meaning. With flair. With color.

Can the Cracker Box intimacy of a country store be transplanted to the Megalopolis which surrounds us? Direct clerk-to-customer sale is economically impossible. Yet something vital has been lost in transit. The personal touch.

Stop & Shop brought boutique buying into the Supermarket.

Gone is the Produce Department. Instead: Farmer's Market... Banana Hut... Potato Barn... Salad Bowl... they say it better. Merchandising with meaning. With flair. With color.

Right-off-the-farm food influences the eye, the touch, the sense of smell. The customer. Buying food to feed a family is more than a routine "where can I find it and how much does it cost" transaction.

It is a basic fact: eating is a joy as well as a necessity. Pleasure should begin at point of purchase.

The Deli Hut . . . the Cheese Chalet . . . the Hen House . . . the Nut Hut . . . the Bread Box . . . these and other "shops within stores" tell their own story. They stand out from the crowd of other not-so-easily categorized products. So does the Flower Pot.

But food, as any woman knows, cannot always be grouped in easy-to-find stacks—even in her own pantry. Stop & Shop can't always manage this either. Where would *you* look for breadcrumbs in a Supermarket? No need to push a shopping cart up and down seemingly endless aisles. Pick up a "Hot Line" telephone and ask. All such "where's it at" questions are personally answered.

Today's woman demands variety. Of the 9,000 items of merchandise Stop & Shop carries, 800 are private label products. Coffee is one of these.

Today's woman wants a butcher for a friend. At Stop & Shop, he is. Meat is pre-packaged. Customer telephones have been installed. She can see her butcher. Talk to him. He answers her questions, accepts her orders for special cuts. Maxi-Man Meats are backed by an unconditional money-back guarantee.

Today's woman relies on convenience foods. Stop & Shop Caterer's Kitchen manufactures almost 80 items, ranging from fresh beef turnovers to frozen chicken cacciatore . . . Stop & Shop bakery offers 170 others.

Such an operation is complex. How does it work?

A distribution pipeline speeds Stop & Shop products from supplier to store.

There are two 100,000-square foot perishable distribution centers, one in Boston and another in North Haven, Connecticut, plus a 485,000-square foot grocery center in Readville, Massachusetts. A new 340,000-square foot grocery distribution facility will soon be completed in North Haven, to provide for low cost distribution of groceries to stores in New York, New Jersey, Connecticut and Western Massachusetts.

Both perishable distribution centers are geared to make store shipments five days a week, Tuesday through Saturday. Both turn over from 70 to 80 per cent of their inventory daily.

Produce managers send their following day's requirements to headquarters via high speed telephone data transmission equipment. By mid-morning, the center knows what the produce needs are for each store it serves. By evening, refrigerated trucks have left, within 10 hours after orders were first received. Groceries are dispatched through the same procedure. With such "same day" service, backroom storage in some Stop & Shops is at a minimum.

As with produce and groceries, meats are also dispatched from the two perishable distribution centers daily. They average 80 to 90 per cent turnover daily. A new meat processing facility in Marlborough, Massachusetts, will include the latest technology in ultra-clean design, some features of which are a direct result of original Stop & Shop research.

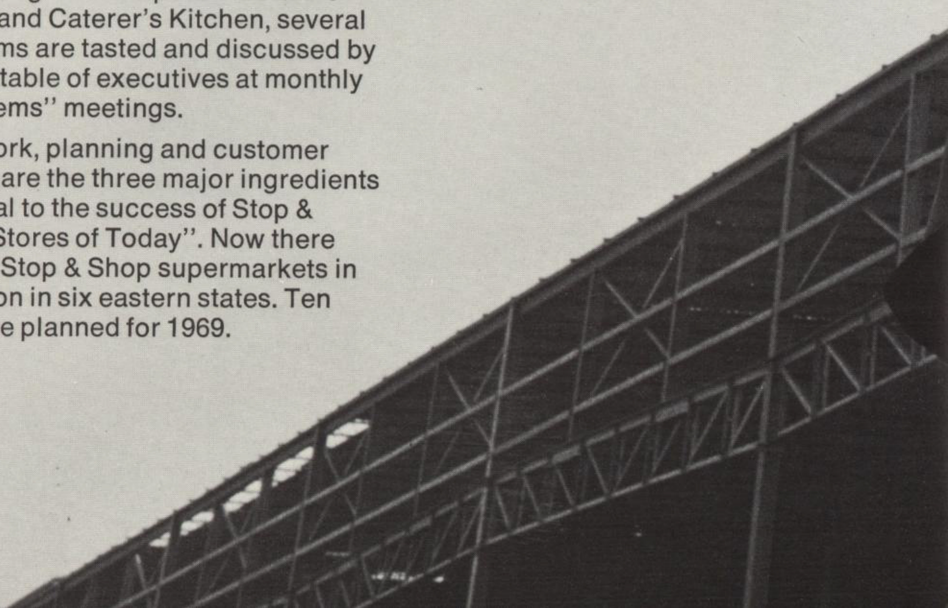
Mayonnaise is only one of over 80 manufactured private-label products. Potato chips, coffee, milk, packaged cheese and salad dressing—these operations are located along with Caterer's Kitchen in a 82,500-square foot complex in Readville, Massachusetts. The Caterer's Kitchen turns out regular "deli" items such as cole slaw and potato salad, both packaged and in bulk. Meat pies, bean salad, chocolate tapioca pudding have been added to the growing list. Three ovens, each roasting 1,000 chickens in an hour, are typical examples of up-to-the-minute equipment. In October, Caterer's Kitchen expanded into the "frozen" market with ten items such as chicken cacciatore, meat loaf, and chicken wings in Hawaiian sauce.

Quality control of these products is carefully checked in on-site laboratories maintained at the Readville plant.

The bakery is housed in a six story downtown Boston plant. It is the largest Stop & Shop manufacturing section. Its broad 170 item mix ranges from the basics such as premium Home Kitchen bread and chocolate cake to specialties such as squash pie. Each year sees a change of 30 to 50 bakery items, some of them new additions to the line.

Skilled professionals in the area of food technology work full-time developing new recipes. In both the bakery and Caterer's Kitchen, several new items are tasted and discussed by a roundtable of executives at monthly "new items" meetings.

Teamwork, planning and customer service are the three major ingredients essential to the success of Stop & Shop "Stores of Today". Now there are 139 Stop & Shop supermarkets in operation in six eastern states. Ten more are planned for 1969.

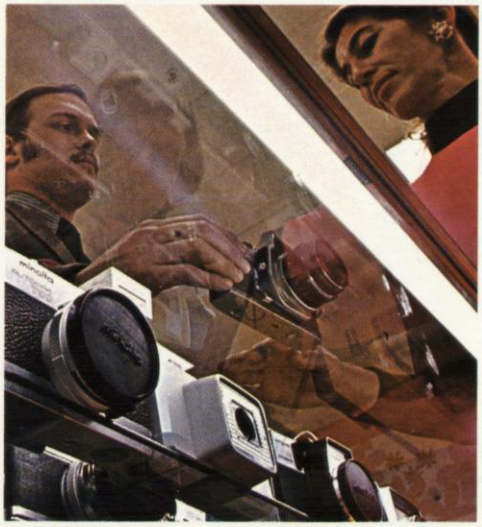


The food division is headed by Vice President Robert H. Kroeger who joined Stop & Shop as controller in 1952. He subsequently was promoted to Budget Officer, Vice President of Special Activities, and Vice President of the Connecticut food division. He was named to his present position in mid-1968. Donald W. Stowbridge, at Stop & Shop since 1962, has been training director, unit manager, divisional vice president for food store operations and now is in charge of the Connecticut food division. Charles R. Carroll, Jr., a corporate vice president, continues to be responsible for direction of Stop & Shop's geographic expansion program.


GLASS
CLEARANCE


ROCK & ROLL
THE TEMPTATIONS
CLOUD NINE
GREATEST HITS


BRADLEES BAZAAR




sports
BADMINTON

The young customer . . . the increasingly sophisticated shopper. . .demands constant upgrading of quality and style. Bradlees capitalizes on trends within this mass market.

Merchandise is the star performer.

Fashion at Bradlees permeates every phase of the business at every price point.

Fashion is dynamic. It no longer filters through long-established channels to create customer demand. The young customer . . . the increasingly sophisticated shopper . . . demands constant upgrading of quality and style. Bradlees capitalizes on trends within this mass market.

Fashion trend merchandising is an underlying principle at Bradlees. It is a measurable factor. Popular pricing for the mass market is still the major goal. But it is fashion . . . not price . . . that sells merchandise.

The Bradlees mix today includes over 150,000 items, ranging from infants wear to home furnishings. Newest department . . .the Bradford Bazaar. . . is a collection of "mod" teen fashions, combining quality with the "now" look.

Home entertainment centers with emphasis on portable television sets and hi-fi equipment . . . expanded camera and photography departments . . . a large automotive supply and tire installation center, with a complete line of tires under private label.

A typical Bradlees department store has 56 departments.

Presentation of merchandise is dramatized. A new departure in instant decor helps self-service customers find departments easy-to-spot. Four-by-six styrofoam panels, ceiling-mounted, identify shopping areas. Splashes of color. Bold lettering. These panels can be hung back-to-back . . . adjacent to each other . . . at right angles . . . staggered in an in-and-out design.

A young rock 'n roller with a guitar? The record center. Bright lipsticks or vivid lip prints? The cosmetic department.

Panels are easy to re-arrange for seasonal changes in merchandise . . . fluctuating needs for selling space. Dramatic decor . . . always flexible.*

In 1968, selling area in new stores averaged 70,000 square feet in a total store of 90,600 square feet. Two recent remodels added 15,000 to 30,000 square feet per store. Store size goes up and up.

But the plain pipe rack image is only a memory.

*The company is seeking patent protection for this system.

Robert J. Futoran joined the Bradlees division as president on February 17, 1969. Before he came to Bradlees he was president of a New York based cooperatively owned merchandising and research organization. Arnold Siegel, executive vice president of the division, has been with Bradlees since 1961. Carol R. Goldberg, divisional vice president-corporate marketing services, has spent ten years with Stop & Shop Inc., in the management of advertising, sales promotion, design and packaging activities.

Bradlees was the youngest but fastest growing segment of the company— at least until Medi Mart was launched.

The six store units purchased seven years ago have been expanded to 52 large, multi-department, high style stores. In 1969, two new stores are planned and two others are scheduled for relocation. A major remodel program is underway. Five stores slated for major remodel during 1969 will add much needed selling space. Those to be re-fixtured will allow departmental re-arrangement for a more productive traffic flow.

New Bradlees units will be bigger than ever.

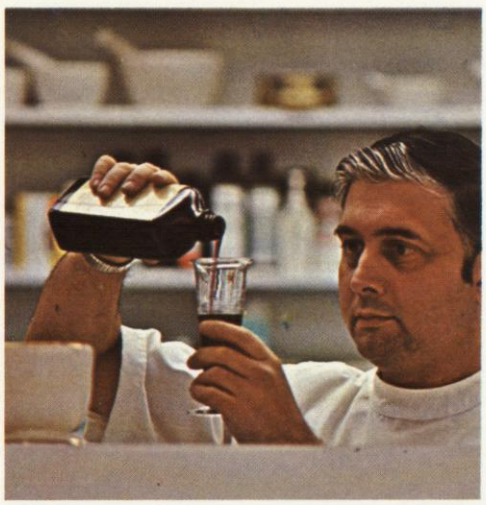
Consistent with the growth of Bradlees is the move to central ordering of soft goods and some hard lines. In anticipation of this move, a 325,000-square foot Bradlees distribution center was built in Braintree, Massachusetts. This tightened and streamlined the organization. Buying is taken out of individual stores in order that in-store personnel could devote more time to selling. This also opened the way for moving broader lines into stores. A portion of the hard line mix, primarily cameras and hardware, is now being distributed out of the expanded Bradlees warehousing complex.

Record keeping was also simplified. With centralized purchasing, headquarters has a clearer picture of which items sell best in each store. New stores can be built with less back room space and remodels are made easier because back room space can be freed and converted to selling space.

As licenses have expired, Bradlees has taken over operation of women's wear, automotive parts, sporting goods, camera and jewelry departments. In new stores, almost 90 per cent of the sales are Bradlees-owned.

Dozens of items are under private label. To support the company's firm money-back-if-not-satisfied guarantee, special quality control procedures have been developed. Under contract with an independent testing laboratory, soft goods are checked for size, wearing qualities, workmanship, and construction. Similar tests are also run on hardware and household items . . . flashlight batteries, paints, ironing board covers . . . to protect the meaning of the Bradlees label as at least equal to best-selling national-brand products, with meaningful savings to the customer.

Thoughtfulness Shop



Hallmar

Heart of Medi Mart is the pharmacy. Fully stocked, set in ethical surroundings, the pharmacy offers all prescription products.

Medi Mart is a whole new idea of a drug store.

Eighteen months ago, Stop & Shop Inc., announced its decision to enter the retail drug store field. Today, four spacious, spanking clean, all-new Medi Marts are open. Three adjoin Stop & Shop—Bradlees combinations. Two are in Connecticut, one in New York. The fourth is in New Jersey in combination with a Stop & Shop food store.

Heart of Medi Mart is the pharmacy. Fully stocked, set in ethical surroundings, the pharmacy offers *all* prescription products. Registered pharmacists are on duty every minute Medi Marts are open. Fast efficient service . . . a record of all purchases for tax purposes.

Convalescent Aids . . . for rent or sale . . . another pharmacy feature.

Wheel chairs . . . walkers . . . commodes . . . crutches . . . canes . . . beds . . . products designed expressly to give comfort and aid to the physically impaired.

A complete in-depth selection of proprietary drugs.

Everything for the diet-conscious customer, grouped together . . . low calorie and dietetic foods. A wide assortment of reducing machines for rent or sale.

Beauty Bars? A cosmetic department complete with trained cosmetician offers 9,000 prestige items. Revlon . . . Max Factor . . . Chanel . . . Lanvin . . . Helena Rubenstein . . . Christian Dior . . . Bonnie Belle. A full line of toiletries for men is nearby. Zizanie . . . Chanel . . . Elizabeth Arden . . . British Sterling.

Selling areas in Medi Marts range from 12,000 to 13,000-square feet. Total areas from 19,000 to 20,000- square feet. Boutique design and image building services prevail at Medi Mart as well as at Stop & Shop and Bradlees.

The Tobacco Shop . . . everything for the smoker in one convenient spot. The Sweet Talk Shop . . . a full line of ice cream and candy. The Thoughtfulness Shop . . . Hallmark cards for all occasions. Ribbons and bows and party surprises. From TV to toys . . . from Houseware to Hardware, over 30,000 items are carried by Medi Mart . . . the new kind of drug store.

In eighteen months, Medi Mart went from a drawing board concept to four operational retail drug stores. Another will open this June, with more to follow before the end of the year.

The planning that preceded Stop & Shop's announcement in mid-1968 to enter the retail drug store field and the work done between initial disclosure and grand opening typify the company's ability to set a goal and implement it rapidly—through people.

Overall consideration set by the company for going into a new retail business is two-fold. The market must be generally profitable, large-scale and growing. In addition, it must draw whenever possible on the company's existing expertise and resources. The Medi Mart concept meets both requirements.

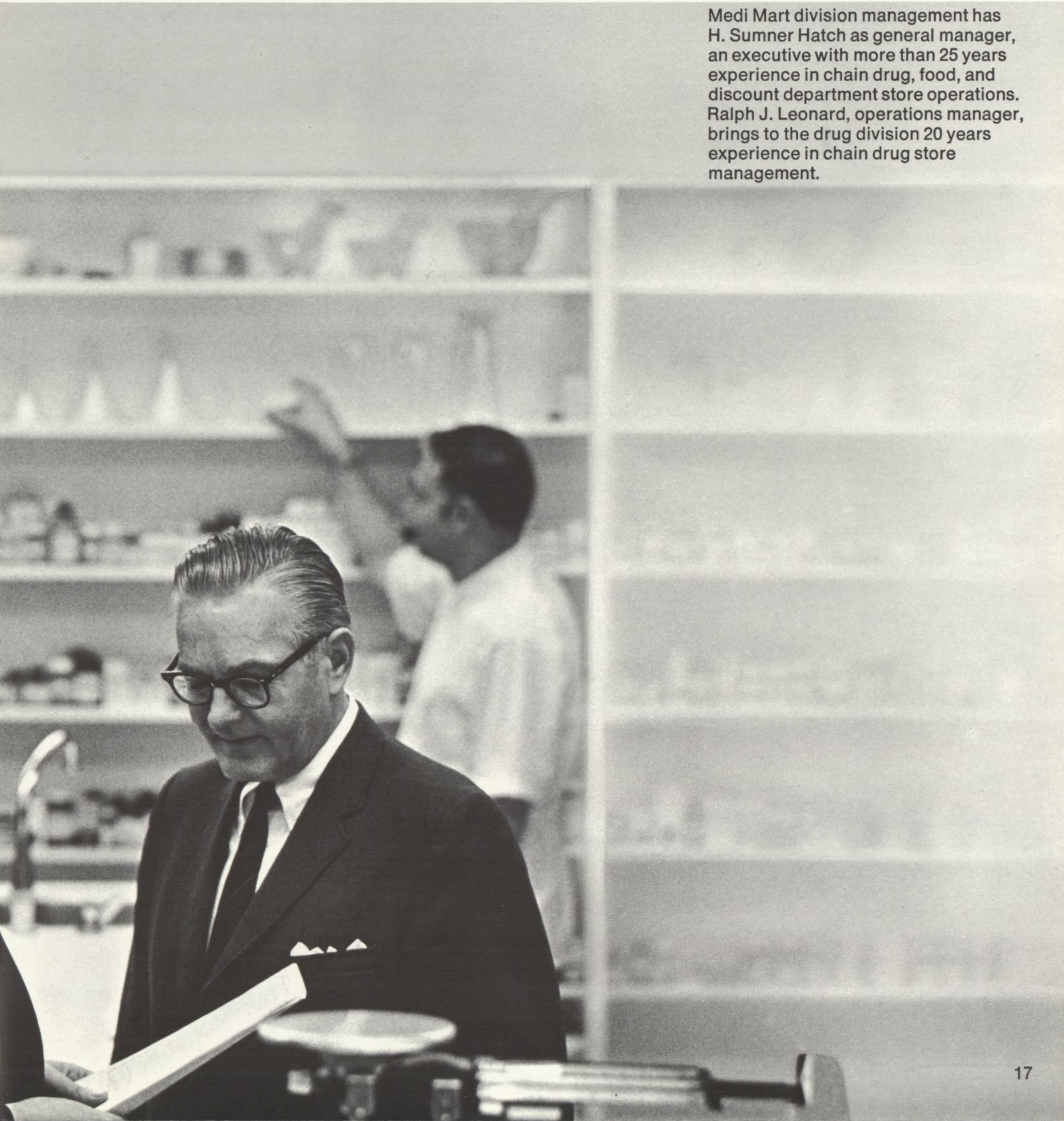
- In 1968, drug stores turned in sales of $12 billion, enough on a state-by-state breakdown to offer Stop & Shop a reasonable potential in the retail drug market in its operating territories. These territories are growing.
- From 1967 to 1968, chain drug store sales gained 12.1% while total retail sales increased 8.4%.
- For 17 publicly held drug chains surveyed by Stop & Shop, the 1967 return on investment was 16.8%. By comparison, the return for 31 leading supermarket chains was 12.1%.
- The National Industrial Conference Board forecast that, from 1967 to 1972, disposable income will increase 52% in constant dollars. Drug consumption is expected to increase 76%.
- Volume sales of prescription drugs are on the upswing, because of increases in the population of two heavy using groups, the very young and the very old. In addition, private and public health plans, plus increased disposable incomes have sharply accelerated over-all demands.
- Toiletries, another major part of drug store sales, is forecast for a 91% gain.
- Product lines such as toys, stationery, housewares, attract volume once reserved for supermarkets, variety stores and department stores. They are now accepted, and expected, by customers as part of a modern drug store.

In merchandising, many types of items are stocked in two, and sometimes all three, company outlets. Each retail store emphasizes certain items by carrying wider assortments. There is obvious duplication but Stop & Shop, Bradlees and Medi Mart are all stocked to draw the customer who is looking for a specific item. Such duplications are planned.

While a container of milk can only be purchased at Stop & Shop, a dress can only be bought at Bradlees, and prescriptions can only be filled at Medi Mart, it's possible to purchase such an item as hosiery in all three divisions.

Over 30,000 items make up the Medi Mart mix. This is the drug store of today.

Medi Mart division management has H. Sumner Hatch as general manager, an executive with more than 25 years experience in chain drug, food, and discount department store operations. Ralph J. Leonard, operations manager, brings to the drug division 20 years experience in chain drug store management.



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Working capital		$ 32,475,780	24,716,115
Current ratio		1.92	1.88
Total assets		$158,431,540	133,028,205
Retained earnings		$ 36,824,902	32,823,553
Shareholders' equity		$ 53,040,214	48,658,948
Numbers of shares outstanding less shares held in treasury at end of each fiscal year		3,047,512	3,025,229
Food stores:	Opened and acquired	9	8
	Closed	5	9
	In operation at year end	138	134
Self service department stores:	Opened and acquired	6	7
	Closed	—	—
	In operation at year end	52	46
Drug stores:	Opened and in operation at year end	3	—

*In July 1966, the fiscal year end of the Company was changed to the Saturday nearest January 31 from the Saturday nearest June 30.

**Includes $0.59 extraordinary item.

†53 Weeks

1/28/67*	7/2/66	7/3/65†	6/27/64	6/29/63	6/30/62	7/1/61	7/2/60†
507,506,165	469,850,327	423,172,518	391,417,860	337,684,888	306,305,759	295,373,211	239,078,801
8,243,452	5,788,519	8,867,361	8,177,453	6,772,327	6,791,391	8,293,951	7,685,811
5,456,229	3,463,367	5,254,054	4,907,277	4,034,883	3,887,383	4,645,088	4,136,043
—	—	—	—	—	—	—	—
5,456,229	3,463,367	5,254,054	4,907,277	4,034,883	3,887,383	4,645,088	4,136,043
3,036,738	1,180,404	3,579,384	3,733,802	2,895,527	2,785,433	3,667,091	3,371,496
1.08%	.74%	1.24%	1.25%	1.19%	1.27%	1.57%	1.73%
1.80	1.14	1.72	1.61	1.33	1.28	1.58	1.46
1.80	1.14	1.72	1.61	1.33	1.28	1.58	1.46
2,419,491	2,282,963	1,674,670	1,173,475	1,139,356	1,101,950	977,997	764,547
.80	.75	.55	.40	.40	.40	.40	.40
—	—	3%	3%	3%	3%	25%	25%
50,777,515	46,299,775	41,296,545	34,976,085	31,745,162	31,196,878	27,271,444	19,561,031
28,732,857	24,900,306	23,487,623	19,383,393	17,864,400	16,239,347	14,331,605	10,401,617
22,044,658	21,399,469	17,808,922	15,592,692	13,880,762	14,957,531	12,939,839	9,159,414
1.77	1.86	1.76	1.80	1.78	1.92	1.90	1.88
124,991,817	120,745,085	112,824,425	105,395,004	101,944,837	97,260,036	84,042,308	66,313,515
27,432,701	24,973,070	23,792,666	21,830,996	19,791,075	18,739,405	19,413,216	14,518,087
43,254,148	40,794,517	40,452,686	36,801,498	33,106,337	30,180,731	27,265,458	21,860,866
3,024,364	3,024,364	3,069,564	2,955,336	2,870,502	2,783,367	2,691,293	2,018,953
5	4	2	4	14	18	21	14
10	6	4	4	9	11	7	4
135	139	141	143	143	138	131	117
5	7	7	6	7	4	6	—
2	1	—	—	—	—	—	—
39	36	30	23	17	10	6	—
—	—	—	—	—	—	—	—

Assets	February 1, 1969	January 27, 1968
Current assets:		
Cash	$ 3,596,240	$ 6,394,789
Marketable securities at cost approximating market	5,531,101	—
Accounts receivable	5,262,900	2,822,013
Receivable from mortgagees for construction costs covered by executed mortgage agreements	459,158	—
Inventories, at the lower of cost or market	51,469,271	42,583,060
Prepaid expenses	1,381,482	1,030,561
Total current assets	67,700,152	52,830,423
Fixed assets, at cost (Note 8):		
Land, buildings and improvements	67,796,710	61,814,763
Buildings and improvements on leased land	5,307,391	4,957,844
Fixtures, machinery and equipment	50,401,419	41,780,012
	123,505,520	108,552,619
Less accumulated depreciation and amortization	42,381,056	36,070,855
	81,124,464	72,481,764
Leasehold improvements, at cost less accumulated amortization	7,752,963	6,073,192
Net fixed assets	88,877,427	78,554,956
Other assets:		
Notes receivable, investments, etc. at cost	1,156,672	874,833
Deferred charges	697,289	767,993
Total other assets	1,853,961	1,642,826
	$158,431,540	$133,028,205

See accompanying notes to financial statements.

Liabilities and Stockholders' equity	February 1, 1969	January 27, 1968
Current liabilities:		
Current portion of long-term debt	$ 3,532,177	$ 2,742,112
Accounts payable	26,868,631	20,567,574
Accrued expenses	4,823,564	4,560,230
Federal income taxes, less U. S. securities designated as Tax Anticipation Bills $968,899 (1968, $1,000,000)	—	244,352
Total current liabilities	35,224,372	28,114,268
Deferred federal income taxes	4,302,576	3,609,009
Due prior licensee for assets acquired	838,765	—
Long-term debt (Note 2):		
Mortgage notes payable	38,925,613	32,645,980
Other notes payable	26,100,000	20,000,000
Total long-term debt	65,025,613	52,645,980
Stockholders' equity:		
Preferred stock. Authorized 500,000 shares (1969). None issued or outstanding	—	—
Common stock of $1 par value per share. Authorized 7,500,000 shares. Issued 3,124,811 shares (1968, 3,102,528 shares) (Note 3)	3,124,811	3,102,528
Capital in excess of par value of capital stock (Note 5)	14,703,485	14,345,851
Retained earnings, exclusive of amounts capitalized through stock dividends (Note 2)	36,824,902	32,823,553
	54,653,198	50,271,932
Less cost of 77,299 shares in Treasury	1,612,984	1,612,984
Total stockholders' equity	53,040,214	48,658,948
	$158,431,540	$133,028,205

	53 Weeks Ended February 1, 1969	52 Weeks Ended January 27, 1968
Retail sales	$654,822,234	$566,361,363
Cost and expenses:		
Cost of goods sold, buying and warehousing costs	522,182,406	453,161,433
Selling, store operating and administrative expenses	109,661,817	93,763,259
Depreciation and amortization (Note 8)	7,928,146	6,838,649
Interest on mortgages	2,084,065	1,867,868
Other interest (net)	1,154,835	1,085,379
	643,011,269	556,716,588
Earnings before federal income taxes and extraordinary item	11,810,965	9,644,775
Federal income taxes (Note 1)	5,075,152	3,532,053
Earnings before extraordinary item	6,735,813	6,112,722
Extraordinary item, gain on sale of investment, net of applicable income taxes of $639,357	—	1,773,243
Net earnings	6,735,813	7,885,965
Retained earnings at beginning of year	32,823,553	27,432,701
	39,559,366	35,318,666
Less cash dividends paid	2,734,464	2,495,113
Retained earnings at end of year	$ 36,824,902	$ 32,823,553
Earnings per share of common stock based on average number of shares outstanding during the year:		
Before extraordinary item	$ 2.22	$ 2.02
Extraordinary item, net of applicable income taxes	—	.59
Net	$ 2.22	$ 2.61
Cash dividends per share of common stock	$ .90	$ .82½

See accompanying notes to financial statements.

Summary of Source and Use of Funds

	53 Weeks Ended February 1, 1969	52 Weeks Ended January 27, 1968
Funds provided:		
Net earnings	$ 6,735,813	$ 7,885,965
Less cash dividends paid	2,734,464	2,495,113
	4,001,349	5,390,852
Increase in deferred federal income taxes	693,567	277,001
Increase in long-term debt	12,379,633	2,973,176
Due prior licensee for assets acquired	838,765	—
Sale of capital stock	379,917	13,948
	$ 18,293,231	$ 8,654,977
Used as follows:		
Excess of expenditures for fixed assets over depreciation and amortization:		
Expenditures for fixed assets, net	$ 18,250,617	$ 13,018,328
Depreciation and amortization	7,928,146	6,838,649
	10,322,471	6,179,679
Increase (decrease) in other assets	211,135	(196,199)
Addition to working capital	7,759,625	2,671,497
	$ 18,293,231	$ 8,654,977

Notes to Financial Statements

1. Federal Taxes charged to Income are as follows:

	53 Weeks Ended February 1, 1969	52 Weeks Ended January 27, 1968
Current	$4,988,785	$3,804,481
Investment Credit	(607,200)	(554,105)
Deferred	693,567	281,677
	$5,075,152	$3,532,053

2. Long-Term Debt

Mortgage notes, 4% to 7½%, maturing at annual rates of approximately $3,000,000 through 1974, at $1,500,000 from 1975 to 1989, and thereafter at smaller varying annual amounts through 1994	$38,925,613
Promissory note, 5.6%, maturing $1,400,000 annually from 1970 to 1982 and the balance payable in 1983	26,100,000
	$65,025,613

The mortgage notes, although not signed by the Company or its subsidiaries are secured by land, buildings, and improvements costing approximately $63,312,000 and by assignments of inter-company lease agreements.

Under the terms of the 5.6% Promissory Note, through 1983 working capital must be maintained at $14,000,000 and certain restrictions with respect to payment of cash dividends or purchase or retirement of capital stock are in effect. As of February 1, 1969 approximately $3,600,000 of retained earnings was not so restricted.

3. Stock Options

Options under the Company's new Qualified Plan are granted at 100% of market value at date of grant and expire in five years. Generally, options are exercisable in four equal cumulative annual installments commencing 18 months after grant date.

At February 1, 1969 options to purchase 88,059 shares were outstanding (11,984 presently exercisable) at prices ranging from $15.88 to $34.13 per share.

Outstanding options to purchase include 3,266 shares under the old Restricted Plan granted at 95% of market price on the grant date.

Changes during the current year are summarized as follows:

	Number of Shares	
	Issuable under options granted	Available for option
Balance at beginning of year	109,442	32,075
Additional authorized	—	—
Exercised at prices ranging from $15.88 to $20.00 per share—total $379,917 (Total market value on dates exercised—$720,077)	(22,283)	—
Options granted	2,100	(2,100)
Cancellations and expirations	(1,200)	1,075
Balance at end of year	88,059	31,050

The number of shares under options at February 1, 1969 and related prices per share have been adjusted for stock dividends and stock splits.

4. Rental Commitments

At February 1, 1969 the total minimum annual rentals payable to outsiders by the Company and its subsidiaries under leases amount to approximately $9,100,000 exclusive of real estate taxes, other expenses and additional rents based on percentage of sales. Of the minimum annual rental commitment, approximately 63% related to leases expiring within fifteen years and approximately 96% to leases expiring within twenty years.

In 1968 the Company contracted with the City of Marlborough, Massachusetts for the lease of a meat processing and packaging plant to be constructed by the City from the proceeds of an issue of $10,000,000 of Industrial Revenue Bonds. The lease expires in 1998 and annual rentals will approximate $700,000. Stop & Shop has the right to terminate the lease prior to the expiration date and purchase the facility at a price determined principally by the amount required to enable the City to redeem the outstanding Bonds.

It is the intention of the Company when construction of the facility is completed to record the facility on its books as land and buildings and capitalize the related cost as long-term debt.

5. Capital in Excess of Par Value of Capital Stock

The increase in this account during the year, $357,634, resulted from the sale of common stock through the exercise of stock options.

6. Retirement Plan

The Company's non-contributory retirement plan is available to all employees meeting age and minimum length of service requirements, other than certain union employees covered by union-sponsored plans. The Company's policy is to fund retirement costs accrued, which in the current year amounted to approximately $1,000,000. As of February 1, 1969 total plan assets were more than sufficient to cover all vested accrued benefit liabilities.

7. Wholly-Owned Realty Subsidiaries—Combined Balance Sheets

	February 1, 1969	January 27, 1968
Assets:		
Cash and receivables	$ 486,333	$ 72,815
Due from Stop & Shop Inc.	9,113,236	5,574,332
Fixed assets, at cost:		
Land, buildings and improvements	63,312,037	57,467,700
Less accumulated depreciation and amortization	17,233,783	15,442,025
	46,078,254	42,025,675
Other assets	569,977	426,473
	$56,247,800	$48,099,295
Liabilities:		
Current installments of long-term debt	$ 2,832,177	$ 2,742,112
Accounts payable and accrued expenses	1,040,039	1,004,296
Deferred Federal income taxes	1,822,005	1,687,858
Long-term debt, less current installments above (note 2)	38,925,613	32,120,980
Stop & Shop Inc.'s equity:		
Capital stock	63,820	64,820
Retained earnings	11,564,146	10,479,229
	$56,247,800	$48,099,295

8. Depreciation and Amortization Policies

Depreciation of fixed assets is computed on the straight-line method at rates which are sufficient to amortize the costs over their estimated useful lives. Rates used are as follows:

Buildings on leased land	20 years
Buildings	33⅓ to 40 years
Equipment and fixtures	3 to 15 years
Automotive equipment	4 years

Cost of leasehold improvements is amortized on the straight-line method over a period of 10 years, or the life of the lease, if shorter.

For Federal income tax purposes, accelerated methods of computing depreciation are used wherever applicable. Accordingly, provision has been made currently for deferred Federal income taxes.

Accountants' Report

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
2000 TOWER BUILDING
PRUDENTIAL CENTER
BOSTON, MASSACHUSETTS 02199

The Board of Directors and Stockholders, Stop & Shop Inc.:

We have examined the consolidated balance sheet of Stop & Shop Inc. and subsidiaries as of February 1, 1969 and the related statement of earnings and retained earnings and summary of source and use of funds for the 53 weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of earnings and retained earnings present fairly the financial position of Stop & Shop Inc. and subsidiaries at February 1, 1969 and the results of their operations for the 53 weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the accompanying summary of source and use of funds for the 53 weeks ended February 1, 1969 presents fairly the information shown therein.

PEAT, MARWICK, MITCHELL & CO.

March 21, 1969

Directors and Officers

Directors:

William Applebaum
Norman L. Cahners
Donald A. Gannon
Avram J. Goldberg
Donald J. Hurley
Irving W. Rabb
Norman S. Rabb
Sidney R. Rabb
Sidney L. Solomon
Lloyd D. Tarlin
William W. Wolbach

Corporate Officers:

Sidney R. Rabb, Chairman of the Board and Chief Executive Officer
Irving W. Rabb, Vice Chairman of the Board and Chairman, Executive Committee
Donald A. Gannon, President
Avram J. Goldberg, Executive Vice President
Lloyd D. Tarlin, Senior Vice President
Albert S. Frager, Treasurer
Charles R. Carroll, Jr., Vice President
Harold E. Fine, Vice President
Robert H. Kroeger, Vice President
Arthur Norris, Vice President
*Michael F. O'Connell, Vice President
Jack Solomon, Vice President
Richard F. Spears, Vice President
Frank X. Suter, Jr., Controller
Donald J. Hurley, Clerk
Arthur S. Robbins, Assistant Treasurer

*Deceased

Divisional Vice Presidents:

Frank A. Crowley
Anthony DiNardo
J. David Fine
Spyros A. Gavris
Anast W. Giokas
Carol R. Goldberg
Joseph L. Riemer, Jr.
Bernard Solomon
Donald W. Stowbridge

Bradlees Division:

Robert J. Futoran, President
Arnold Siegel, Executive Vice President
Robert L. Harrow, Vice President
Robert W. Kimball, Vice President
Robert M. Pliner, Vice President
Richard I. Shuman, Vice President

Transfer Agents:	The First National Bank of Boston Bankers Trust Company of New York
Registrars:	The National Shawmut Bank of Boston Morgan Guaranty Trust Company of New York
Auditors:	Peat, Marwick, Mitchell & Co.
General Offices:	393 D Street, Boston, Massachusetts 02210
Shares Traded On:	Boston Stock Exchange and American Stock Exchange
Annual Meeting:	May 27, 1969 at 1:30 P.M. at the company's offices, 393 D Street, Boston